

Fiscal Note

Fiscal Services Division



HF 2384 – Cannabidiol (LSB6011HV)

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Fiscal Note Version – New

Description

House File 2384 amends the Medical Cannabidiol Act to add multiple sclerosis and cancer with a prognosis of less than 12 months of life to the eligible conditions covered by Iowa Code. Additionally, the bill authorizes the Department of Public Health (DPH) to license two entities that can manufacture and dispense medical cannabidiol. Selection for these two licenses will be conducted through a competitive bidding procedure, with a \$10,000 application fee requirement. A fee is established for applying for a medical cannabidiol registration card. Fees collected by the Department are retained by the department and use for purposes of regulating and administering the Program. The DPH must also establish and provide a real-time point-of-sale tracking management system for cannabidiol sales, and a seed-to-sale, production, inventory, and delivery system.

Background

Possession of medical cannabidiol for patients diagnosed with intractable epilepsy was enacted in 2014 Iowa Acts, chapter **1125**. Since the Program inception, as of April 14, 2016, the **Medical Cannabidiol Act Registration Card Program** had received 70 applications for cannabidiol registration cards; 66 applications were approved and three were denied. Renewal applications have also taken place. These applications have resulted in a total of 148 applications approved and 118 issued.

Assumptions

- Of the patients with an eligible diagnosis, 1.7% will apply for a medical cannabidiol card.
- The bill sets the fee for a medical cannabis registration card at \$100. If the patient attests to receiving Social Security disability benefits, Supplemental Security Insurance payments, or is enrolled in Medical Assistance, the fee is \$25. An estimated 11.7% of the anticipated applicants will qualify for the reduced fee.
- The issuance of a card costs the Department of Transportation (DOT) \$10. This is funded by the Road Use Tax Fund. It is assumed this cost will be offset by the fee revenue.
- It is unknown how many business entities will apply to become licensed medical cannabidiol manufacturers. Comparisons to other states are difficult due to provisions allowing patients to grow their cannabis plants, or unrestricted cultivation and production. Generally, other states have experienced many applications per medical cannabis/cannabidiol manufacturing or dispensary license, as high as seven applications per eligible license. This Fiscal Note assumes three applications per eligible license.
- The Chronic Conditions appropriation to the DPH includes \$25,000 for the Medical Cannabidiol Program. It is assumed the appropriation will continue.
- The DPH will require staff to implement and administer the program. There will also be costs associated with promotion and education to health care providers; processing applications; database development, update, and maintenance; drug formulary development; board administration; and oversight.
- The DPH is permitted to charge a fee equal to the cost of regulating and inspecting the manufacturers. This is assumed to be 50.0% of the total DPH budget for the program.

- Based on the timelines for licensure in the bill, fee revenue for manufacturing applications will likely not be available until the second quarter of FY 2017. Registration card application fees will not become available until late in the fiscal year.
- A background investigation is required in the bill, but not defined. There is no cost for state criminal history record checks. However, more extensive investigations similar to those used by the Racing and Gaming Commission for gaming licenses will require additional expenditure. These costs are passed on to the business.
- The State Hygienic Laboratory will need to develop a methodology for testing the validity of cannabidiol samples. The future cost of laboratory testing will be covered by the manufacturer.

Fiscal Impact

Due to the initial cost of implementation and the delay in fee revenue, the funding need is \$1.3 million for FY 2017 and \$503,000 for FY 2018. The following table outlines the estimated budget of the Medical Cannabidiol Program.

Budget for the Medical Cannabidiol Program		
	FY 2017	FY 2018
Revenue		
General Fund Appropriation	\$ 25,000	\$ 25,000
Manufacturer Application Fees	60,000	0
Manufacturer Annual Licensing Fee	0	51,900
Patient Application Fees	28,000	28,000
Total Revenue	\$ 113,000	\$ 104,900
Expenditures		
<u>Department of Public Health</u>		
Salary	\$ 94,000	\$ 94,000
Support	13,000	9,000
Dispenser Database	1,200,000	500,000
Manufacture Application Reviews	1,500	1,500
<u>Department of Transportation</u>		
DOT Card Issuance	3,100	3,100
<u>State Hygienic Laboratory</u>		
Testing Methodology Development	100,000	0
Total Expenditures	\$ 1,411,600	\$ 607,600
Net Impact	\$ -1,298,600	\$ -502,700

This table does not include the fees or expenditures for the Department of Public Safety for background checks or the fees or expenditures for the State Hygienic Laboratory for testing since they are passed on to the manufacturers.

Correctional Impact: The bill creates a new civil penalty of up to \$1,000 per violation of the bill. It is unknown at this time how many violations under Iowa Code will occur related to the changes in this bill and the correctional impact cannot be estimated.

Sources

Department of Public Health
Department of Transportation
Department of Public Safety
Criminal and Juvenile Justice Planning Division
Board of Regents
LSA Analysis and Calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
